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September 29, 2010

Mr. Russell Gordon **Technical Director** Financial Accounting Standards Board P.O. Box 5116 Norwalk, CT 06856-5116

File Reference: No 1810-100, Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Mr. Gordon:

We appreciate the opportunity to comment on the above referenced exposure draft. Please allow me to first provide you with background information on the bank. The Bank of Sunset & Trust Co. (BOS), chartered in 1906, is a \$108 million community bank located in South Louisiana. We currently have 4 locations in 2 parishes. Our primary business, similar to many community banks, consists of funding commercial and mortgage loans to our community with the generation of deposits from our constituency.

The purpose of my letter is to request that FASB reconsider its position on mark to market accounting as it relates to financial instruments (including commercial and mortgage loans). This letter will serve as our opposition to the proposal.

The business model of most community banks is to gather deposits from local customers through the deployment of brick and mortar offices. The deposits are invested primarily in loans and securities in an effort to balance liquidity, credit, and interest rate risk to produce net interest margin. Additional revenue is generated from other sources and all of the income is used to defray the costs of operating the business.

Applying our situation to the community bank model, the BOS security portfolio is classified as Available for Sale (AFS) in order to allow flexibility for liquidity purposes. Because we choose to classify our bonds as AFS, it stands to reason that these assets are marked to market. The securities are issued in large blocks by Broker/Dealers and a fair value is readily available through secondary markets without much effort or expense. The similarity in structure of these instruments allows the markets to be very efficient.

Conversely, the loan portfolio at the BOS is held to maturity. We do not engage in the purchasing and selling of loans due to the long term nature of these assets and the many benefits that it provides to the community. Furthermore, even if we desired to sell the loans, a readily available market is not present to purchase the credits. Unlike the securities market, each community bank loan is unique and placing a value on that credit would be subjective allowing wide variations in value. Because these loans have no active market, it will serve no purpose to apply short term values to long term assets that are performing at amortized cost. In addition, implementing mark to market accounting will create new reporting requirements that will be costly to community banks and the required estimates of fair value will be subjective at best.

From an investor's perspective, the change will distort the presentation of financial statements. Sound performing loans will be subject to volatility and in turn impair the bank's capital position. Investors will view this volatility as a risk to their investment when this is simply not the case. The change will be very misleading to the investor.

I believe we can learn a lesson from the recent financial crisis. Investor confidence is crucial for both a healthy economy and economic recovery. Implementing the change of mark to market accounting to financial instruments has similarities to the adverse affects placed on the creditworthy loans in the Private Label MBS and CDO markets. Institutions were negatively impacted by the burdens placed on them due to mark to market accounting. Security portfolios were performing adequately however the fair value of the instruments were drastically declining due to market conditions. Our industry does not want to experience the same scenario thereby reducing confidence of an already shell-shocked investor.

In conclusion, we request that FASB reconsider its position on mark to market accounting and the negative impact it will place on the community banks across the country for the reason cited above. Thank you for your consideration.

Sincerely,

K. Brent Vidrine President & CEO

cc: Board of Directors